

11-1160  
TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Pipestone	<b>County</b> Berrien
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 4, 2004	<b>Date Accountant Report Submitted to State:</b> June 4, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised, 2004.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 4, 2004

To the Township Board  
Township of Pipestone  
Berrien County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Pipestone, Berrien County, Michigan, as of March 31, 2004; and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Pipestone's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Pipestone, Berrien County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Pipestone, Berrien County, Michigan. Such information, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS    EXHIBIT A  
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	315 155 97	13 853 37	1 00	-
Taxes receivable	3 106 69	-	-	-
Due from other funds	1 00	-	-	-
Land	-	-	-	5 826 00
Buildings	-	-	-	75 131 00
Equipment	-	-	-	201 923 20
Total Assets	<u>318 263 66</u>	<u>13 853 37</u>	<u>1 00</u>	<u>282 880 20</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	1 00	-
Total liabilities	-	-	1 00	-
Fund equity:				
Investment in general fixed assets	-	-	-	282 880 20
Fund balances:				
Unreserved:				
Undesignated	318 263 66	13 853 37	-	-
Total fund equity	<u>318 263 66</u>	<u>13 853 37</u>	<u>-</u>	<u>282 880 20</u>
Total Liabilities and Fund Equity	<u>318 263 66</u>	<u>13 853 37</u>	<u>1 00</u>	<u>282 880 20</u>

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

329 010 34

3 106 69

1 00

5 826 00

75 131 00

201 923 20

614 998 23

1 00

1 00

282 880 20

332 117 03

614 997 23

614 998 23

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	43 987 39	-	43 987 39
Licenses and permits	-	37 351 00	37 351 00
State revenue sharing	164 375 00	-	164 375 00
Charges for services – cemetery	9 325 00	-	9 325 00
Interest	6 895 92	-	6 895 92
Miscellaneous	<u>2 295 70</u>	<u>-</u>	<u>2 295 70</u>
Total revenues	<u>226 879 01</u>	<u>37 351 00</u>	<u>264 230 01</u>
Expenditures:			
Legislative:			
Township Board	2 485 00	-	2 485 00
General government:			
Supervisor	9 778 61	-	9 778 61
Elections	521 51	-	521 51
Clerk	12 763 51	-	12 763 51
Assessor	17 185 08	-	17 185 08
Board of Review	525 00	-	525 00
Treasurer	10 716 37	-	10 716 37
Cemetery	17 837 34	-	17 837 34
Township hall	1 302 51	-	1 302 51
Financial administration	17 657 14	-	17 657 14
Public safety:			
Fire protection	47 514 79	-	47 514 79
Planning	810 00	-	810 00
Building inspection	-	35 791 66	35 791 66
Public works:			
Highways and streets	72 339 01	-	72 339 01
Drains at large	1 078 12	-	1 078 12
Culture and recreation:			
Library	660 00	-	660 00
Other:			
Community development	<u>4 246 00</u>	<u>-</u>	<u>4 246 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>217 419 99</u>	<u>35 791 66</u>	<u>253 211 65</u>
Excess of revenues over expenditures	9 459 02	1 559 34	11 018 36
Fund balances, April 1	<u>308 804 64</u>	<u>12 294 03</u>	<u>321 098 67</u>
Fund Balances, March 31	<u>318 263 66</u>	<u>13 853 37</u>	<u>332 117 03</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	46 100 00	43 987 39	(2 112 61)
Licenses and permits	-	-	-
State revenue sharing	174 000 00	164 375 00	(9 625 00)
Charges for services – cemetery	10 700 00	9 325 00	(1 375 00)
Interest	400 00	6 895 92	6 495 92
Miscellaneous	<u>1 515 00</u>	<u>2 295 70</u>	<u>780 70</u>
Total revenues	<u>232 715 00</u>	<u>226 879 01</u>	<u>(5 835 99)</u>
Expenditures:			
Legislative:			
Township Board	2 485 00	2 485 00	-
General government:			
Supervisor	9 778 61	9 778 61	-
Elections	521 51	521 51	-
Clerk	12 763 51	12 763 51	-
Assessor	17 185 08	17 185 08	-
Board of Review	525 00	525 00	-
Treasurer	10 716 37	10 716 37	-
Cemetery	17 837 34	17 837 34	-
Township hall and grounds	1 302 51	1 302 51	-
Financial administration	17 657 14	17 657 14	-
Public safety:			
Fire protection	47 514 79	47 514 79	-
Planning	810 00	810 00	-
Building inspection	-	-	-
Public works:			
Highways and streets	72 339 01	72 339 01	-
Drains at large	1 078 12	1 078 12	-
Culture and recreation:			
Library	660 00	660 00	-
Other:			
Community development	6 927 85	4 246 00	(2 681 85)

The accompanying notes are an integral part of these financial statements.

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
45 285 00	37 351 00	(7 934 00)
-	-	-
-	-	-
-	-	-
-	-	-
<u>45 285 00</u>	<u>37 351 00</u>	<u>(7 934 00)</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
35 791 66	35 791 66	-
-	-	-
-	-	-
-	-	-
-	-	-

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Expenditures: (continued)			
Contingency	<u>4 517 66</u>	<u>-</u>	<u>(4 517 66)</u>
Total expenditures	<u>224 619 50</u>	<u>217 419 998</u>	<u>(7 199 51)</u>
Excess (deficiency) of revenues over expenditures	8 095 50	9 459 02	1 363 52
Fund balances, April 1	<u>-</u>	<u>308 804 64</u>	<u>308 804 64</u>
Fund Balances, March 31	<u>8 095 50</u>	<u>318 263 66</u>	<u>310 168 16</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>35 791 66</u>	<u>35 791 66</u>	<u>-</u>
9 493 34	1 559 34	(7 934 00)
<u>-</u>	<u>12 294 03</u>	<u>12 294 03</u>
<u>9 493 34</u>	<u>13 853 37</u>	<u>4 360 03</u>

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pipestone, Berrien County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pipestone. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8996 mills, and the taxable value was \$48,467,589.00.

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.



TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>329 010 34</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 011 06
Uninsured and Uncollateralized	<u>292 951 45</u>
Total Deposits	<u>392 962 51</u>

The Township of Pipestone did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	5 826 00	-	-	5 826 00
Buildings	75 131 00	-	-	75 131 00
Equipment	<u>200 973 44</u>	<u>949 76</u>	<u>-</u>	<u>201 923 20</u>
Totals	<u>281 930 44</u>	<u>949 76</u>	<u>-</u>	<u>282 880 20</u>

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 00</u>	Current Tax Collection	<u>1 00</u>
Total	<u>1 00</u>	Total	<u>1 00</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$37,351.00 and building permit expenses of \$35,791.66.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	2 400 00
Miscellaneous	85 00
	<u>2 485 00</u>
Supervisor:	
Salary	9 350 00
Miscellaneous	428 61
	<u>9 778 61</u>
Elections:	
Wages	461 52
Supplies	59 99
	<u>521 51</u>
Clerk:	
Salary - Clerk	11 000 00
Salary - Deputy	1 100 00
Supplies	663 51
	<u>12 763 51</u>
Assessor:	
Salary	12 874 98
Miscellaneous	4 310 10
	<u>17 185 08</u>
Board of Review:	
Wages	525 00
	<u>525 00</u>
Treasurer:	
Salary - Treasurer	8 950 00
Salary - Deputy	1 100 00
Miscellaneous	666 37
	<u>10 716 37</u>
Cemetery:	
Supervisor salary	1 600 00
Sexton wages	6 845 50
Repairs and maintenance	3 791 84
Opening/closing	5 200 00
Truck	400 00
	<u>17 837 34</u>
Township hall	1 302 51

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Financial administration:

Audit	1 800 00
Insurance	4 595 31
Dues	1 147 99
Supplies	131 39
Printing and publishing	1 355 36
Payroll taxes	3 707 55
Miscellaneous	1 934 94
Computer services	2 984 60
	<u>17 657 14</u>

Fire protection:

Fire board wages	570 00
Contracted services	<u>46 944 79</u>
	<u>47 514 79</u>

Planning:

Commission wages	<u>810 00</u>
------------------	---------------

Highways and streets

72 339 01

Drains at large

1 078 12

Library:

Board wages	<u>660 00</u>
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Community development

4 246 00

Total Expenditures

217 419 99

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>1 00</u>	<u>884 398 53</u>	<u>884 398 53</u>	<u>1 00</u>
Total Assets	<u>1 00</u>	<u>884 398 53</u>	<u>884 398 53</u>	<u>1 00</u>
<u>Liabilities</u>				
Due to other funds	<u>1 00</u>	<u>41 020 70</u>	<u>41 020 70</u>	<u>1 00</u>
Due to others	<u>-</u>	<u>843 377 83</u>	<u>843 377 83</u>	<u>-</u>
Total Liabilities	<u>1 00</u>	<u>884 398 53</u>	<u>884 398 53</u>	<u>1 00</u>

TOWNSHIP OF PIPESTONE  
Berrien County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT  
OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>1 00</u>
Cash receipts:	
Property tax	884 258 53
Animal licenses	<u>140 00</u>
Total cash receipts	<u>884 398 53</u>
Total beginning balance and cash receipts	<u>884 399 53</u>
Cash disbursements:	
Township General Fund	41 020 70
Berrien County	271 933 57
Berrien Intermediate School District	107 971 99
Lake Michigan Community College	82 753 85
Benton Harbor Area School	371 14
Eau Claire Schools	329 159 36
Dowagiac Schools	2 286 78
Eau Claire District Library	32 126 85
State of Michigan	11 928 71
Refunds	<u>4 845 58</u>
Total cash disbursements	<u>884 398 53</u>
Cash in Bank – End of Year	<u>1 00</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

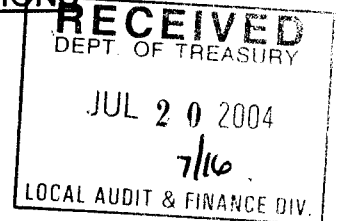
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TEL (989) 894-1040  
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 4, 2004

To the Township Board  
Township of Pipestone  
Berrien County, Michigan



We have audited the financial statements of the Township of Pipestone, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Pipestone in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Pipestone  
Berrien County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.



To the Township Board  
Township of Pipestone  
Berrien County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Pipestone will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants